

Message Text

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ORIGIN EB-03

INFO OCT-01 ISO-00 /004 R

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DRAFTED BY: EB: NPAZDRAL:BMH

APPROVED BY: EB: JLKATZ

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FM SECSTATE WASHDC

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FOLLOWING REPEAT STOCKHOLM 5901 ACTION SECSTATE INFO BERN BONN
BRUSSELS CANBERRA DUBLIN HELSINKI KUWAIT LONDON MOSCOW OSLO PARIS
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QUOTE

C O N F I D E N T I A L

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E.O. 11652: N/A

TAGS: EFIN, ETRD, NK, SW

SUBJECT: SWEDEN TRIES TO NEGOTIATE UNOFFICIAL DEBT-RESCHEDULING
AGREEMENT WITH NORTH KOREA

REF: STATE 228972; STOCKHOLM 5588

SUMMARY. SWEDEN HOPES TO ARRANGE UNOFFICIAL DEBT-
CONSOLIDATION AGREEMENT WITH NORTH KOREA. SWEDISH GOVERNMENT
RECENTLY SENT DELEGATION TO PYONGYANG AFTER EFFORTS TO DISCUSS
DEBT THROUGH EMBASSIES FAILED. TALKS ARE ONLY IN PRELIMINARY
STAGE. INTEREST RATE IS CENTRAL PROBLEM. SWEDEN INSISTS
KOREANS PAY PORTIONS OF DEBT NOT USUALLY SUBJECT TO RESCHEDULING
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BEFORE ANY CONSOLIDATION AGREEMENT ENTERS INTO FORCE.

1. A SWEDISH GOVERNMENT DELEGATION RETURNED FROM NORTH KOREA LAST WEEK AFTER PRELIMINARY DISCUSSIONS WHICH SWEDES HOPE WILL LEAD TO UNOFFICIAL DEBT CONSOLIDATION AGREEMENT BETWEEN NORTH KOREAN FOREIGN TRADE BANK AND TRADING AGENCIES AND SWEDISH BANKS AND EXPORT CREDIT BOARD (EXPORTKREDITNAMNDEN). NEXT ROUND OF TALKS WILL TAKE PLACE IN STOCKHOLM AT TIME NOT YET DECIDED UPON.

2. WOLLRATH THAM, MFA OFFICER IN CHARGE OF EXPORT CREDIT GUARANTEE QUESTIONS AND MEMBER OF SWEDISH DELEGATION TO PYONGYANG, TOLD EMBOFF THAT, DESPITE LONG EFFORTS THROUGH NORTH KOREAN EMBASSY IN STOCKHOLM AND SWEDISH EMBASSY IN PYONGYANG, SWEDEN HAD BEEN UNABLE TO GET NORTH KOREANS TO TALK ABOUT PROBLEM. "GREAT DIFFICULTIES" THUS ENCOUNTERED FINALLY DROVE SWEDISH TRADE MINISTRY TO SEND DELEGATION TO KOREA. SWEDISH GROUP WAS MADE UP OF GOS OFFICIALS BECAUSE MOST CONTRACTS GUARANTEED BY GOVERNMENT-OWNED EXPORT CREDIT BOARD. BERTIL SWARD, CHAIRMAN OF BOARD, LED DELEGATION.

3. THAM SAID NORTH KOREANS WANT TO DELAY ALL PAYMENTS DUE DURING PERIOD 1975-78 FOR TWO OR THREE YEARS. SWEDEN CONSIDERS REQUEST OUT OF QUESTION AND WILL ONLY DISCUSS 1975 AND 1976 AND MAXIMUM POSTPONEMENT OF TWO YEARS.

4. SWEDISH SIDE WILL NOT PERMIT ANY AGREEMENT TO ENTER INTO FORCE UNTIL NORTH KOREANS SHOW GOOD WILL BY STARTING REPAYMENT OF DEBT ELEMENTS NOT USUALLY SUBJECT TO RESCHEDULING; SHORT-TERM CREDITS (LESS THAN ONE YEAR), ADVANCES AND DOWN PAYMENTS; AND CASH AGAINST DOCUMENTS. TOTAL VALUE OF THESE ITEMS IS SKR 20 MILLION (CURRENTLY OVER \$4.5 MILLION).

5. MAIN OUTSTANDING PROBLEM IS INTEREST RATE. SWEDES ARE ASKING HIGHER RATE FOR RESCHEDULED DEBT THAN RATES IN ORIGINAL CONTRACTS TO COMPENSATE THEM FOR DELAY IN PAYMENT AND UPWARD TREND IN INTEREST RATES. THAM UNDERSTOOD NORTH KOREANS HAVE CONCLUDED A DEBT-RESCHEDULING AGREEMENT AT SEVEN PERCENT; HE DECLINED TO IDENTIFY THE OTHER COUNTRY INVOLVED.

6. GOS, HE ACKNOWLEDGED, IS WORRIED ABOUT DAMAGE THIS LIMITED OFFICIAL USE

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RESCHEDULING COULD WORK UPON PARIS CLUB DISCIPLINE. IN ATTEMPT TO DISSOCIATE ACTION FROM PARIS CLUB, GOS ITSELF WILL NOT SIGN ANY AGREEMENT THAT MAY BE WORKED OUT WITH NORTH KOREANS.

7. THAM SAID OTHER COUNTRIES ARE USING SIMILAR MECHANISM. FRANCE AND AUSTRALIA HAVE AGREED TO PARTIAL RESCHEDULINGS. HE BELIEVED BRITISH AND DUTCH BANKS WERE TALKING WITH NORTH

KOREANS.

8. COMMENT. THAM'S REMARKS LEFT NO DOUBT THAT NORTH KOREA
HAS HAD INCOMPARABLY POOR RECORD IN PAYING SWEDISH COMPANIES,
MISSING ADVANCES AND DOWN PAYMENTS, TO SAY NOTHING OF
PRINCIPLE AND INTEREST. EMBOFF RECEIVED STRONG IMPRESSION THAT
SWEDES ARE UNCERTAIN ABOUT NORTH KOREAN GOOD WILL.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEBT REPAYMENTS, GOVERNMENT DEBTS, FINANCIAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE276335
Document Source: CORE
Document Unique ID: 00
Drafter: EB: NPAZDRAL:BMH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750406-0839
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751123/aaaaauiq.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 228972, 75 STOCKHOLM 5588
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 29 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 APR 2003 by BoyleJA>; APPROVED <02 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWEDEN TRIES TO NEGOTIATE UNOFFICIAL DEBT-RESCHEDULING AGREEMENT WITH NORTH KOREA
TAGS: EFIN, ETRD, EAID, KN, SW, EEC
To: OECD PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006